

C. DUKES SCOTT  
EXECUTIVE DIRECTOR

1441 Main Street, Suite 300  
Columbia, SC 29201



Phone: (803) 737-0800  
Fax: (803) 737-0801

DAN L. ARNETT  
CHIEF OF STAFF

JOHN W. FLITTER  
DIRECTOR  
ELECTRIC & GAS REGULATION

July 17, 2006

Charles L.A. Terreni  
Chief Clerk & Administrator  
**Public Service Commission of South Carolina**  
101 Executive Center Drive  
Columbia, South Carolina 29210

Re: Request of Duke Power Company LLC d/b/a Duke Energy Carolinas, LLC for Changes to Schedules HP-X (SC), Hourly Pricing for Incremental Load, and HP-FLEX (SC), Hourly Pricing, Flexible Baseline (Pilot).  
Docket No. 2005-48-E

Dear Mr. Terreni,

This is to inform the Public Service Commission ("Commission") that the Office of Regulatory Staff ("ORS") has reviewed the above referenced filing. Based on the information provided, ORS does not have an objection to Duke Power Company LLC d/b/a Duke Energy Carolinas, LLC's ("Duke Energy Carolinas") request for approval of modifications to Schedules HP-X and HP-FLEX as described in the filing.

Duke Energy Carolinas request includes a change in the minimum bill calculation provision to allow assessment on an annual basis in lieu of a more frequent monthly basis. This change will assist in assuring proper cost recovery, and appropriate pricing signals which include a benefit to customers of allowing months of low demand charges to be potentially offset by months of higher demand charges. A revision in the Power Factor Correction provision is also proposed for both Schedules whereby the calculation will be based on the average power factor for the billing month, rather than for each hour. This will allow customers to benefit by potentially offsetting hours when the power factor is below 85% with hours when the power factor is above 85%. In addition, Duke Energy Carolinas requests to include language which reads "but shall not be less than zero", that was previously inadvertently deleted from Schedule HP-X (SC) under the Incentive Margin provision. Reinstatement of this language affirms the intent of this provision and does not alter its operation since inception of the tariff. These modifications are appropriate as well as customer friendly and therefore ORS offers no opposition to these requested enhancements to Schedules HP-X (SC) and HP-FLEX (SC).

Thank you for the opportunity to provide our comments in this matter.

Sincerely,

  
John W. Flitter

JWF/sh

Charles L.A. Terreni

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cc: Dan F. Arnett, Chief of Staff, SC ORS  
Florence Belser, General Counsel, SC ORS  
Nanette Edwards, Deputy General Counsel, SC ORS  
Dr. James Spearman, Executive Assistant to SC PSC  
Lara S. Nichols, Esquire, Duke Energy Carolinas  
Richard L. Whitt, Esquire, Austin, Lewis & Rogers, P.A.  
William F. Austin, Esquire, Austin, Lewis & Rogers, P.A.